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Report of the Secretary-General on the United Nations Interim Administration Mission in Kosovo

I. Introduction

1. The present report is submitted pursuant to Security Council resolution 1244 (1999) of 10 June 1999, by which the Council decided to establish the United Nations Interim Administration Mission in Kosovo (UNMIK). In paragraph 20 of that resolution, the Council requested the Secretary-General to report at regular intervals on the implementation of the mandate of the Mission. The current report covers the activities of UNMIK and developments in Kosovo, Federal Republic of Yugoslavia, since the report of 2 October 2001 (S/2001/926). Matters reported in the Security Council's meetings on 5 October and 27 November 2001 are referred to as necessary (see S/PV.4387 and S/PV.4430).

2. The three months covered by the present report were dominated by the election of a legislature and the subsequent efforts to forge a governing majority. Those efforts are still ongoing. At the same time, UNMIK made internal adjustments for the handover of significant powers to the provisional institutions of self-government and ensured that the incoming administration will have a fully funded budget. The security situation was generally calm.

II. Establishing the provisional institutions of self-government

A. Legislature

3. The election of the Kosovo Assembly on 17 November 2001 was generally considered a great success. It was organized by UNMIK's Pillar III (institution-building), which is led by the Organization for Security and Cooperation in Europe (OSCE). Notwithstanding some instances of intimidation in northern Kosovo by groups opposed to Kosovo Serb participation, the campaign and the voting itself were orderly and generally free of violence (see S/PV.4430). The ballot was conducted with the extensive involvement of domestic observers as well as joint observation teams from Kosovo Albanian and Serbian non-governmental organizations. The results of the election, and the distribution of seats in the Assembly are shown in annex IV to the present report.

4. No party gained enough seats in the Assembly to govern alone, and attention is now focused on the need to form a coalition. The main efforts concentrated on a

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power-sharing arrangement between the three main Kosovo Albanian parties. On 7 December, UNMIK arranged a meeting between Dr. Rugova, of the Democratic League of Kosovo (LDK), and Mr. Thaci, of the Democratic Party of Kosovo (PDK), on United Nations premises. Representatives of foreign Governments have also hosted meetings with the main party representatives in the Assembly. It should be noted that the minority parties also have an important role to play; they have 35 of the 120 seats in the Assembly and, in accordance with the Constitutional Framework, will provide at least two Ministers.

5. On 10 December, the Assembly held its inaugural session. At that session, both the seven-member presidency of the Assembly as well as the President of Kosovo were to be elected; the latter would then nominate a Prime Minister for endorsement by the Assembly. However, the PDK did not submit candidates for the two seats of the presidency reserved for it, and the Assembly elected only its President, Mr. Nexhet Daci of the LDK and four other members; one from the LDK, two from the (Kosovo Serb) Return Coalition, and one from the United Roma Party. The meeting was then adjourned.

6. On 13 December, the Assembly met again to elect the President of Kosovo. The only candidate was Dr. Ibrahim Rugova, leader of the LDK. He received 49 votes, including 46 from the members of his party who were present, but fell well short of the 80 votes required. On 10 January 2002, the Assembly held its second and third ballots for the election of the President. Dr. Rugova was again the only candidate. In the second round, he received 50 votes as compared to 80 that were required. In the third round, a simple majority of 61 votes was required for election; Dr. Rugova received 51.

7. UNMIK created a special task force to establish the administrative and other services necessary to support the Assembly. Experts provided by France, Germany, the United Kingdom and the Council of Europe were critical in setting up the Assembly's secretariat and developing its provisional rules of procedure. International staff will continue to fill key posts while local staff are being recruited and trained. So far, 57 local staff have been hired, of whom 10 are members of minorities. In cooperation with the National Democratic Institute for International Affairs (Washington, D.C.), UNMIK's Pillar III arranged a week-long seminar on the roles and responsibilities of legislators, in which the vast majority of the Assembly members participated.

8. The security of minority Assembly members and staff remains a matter of great concern. The first two meetings of the Assembly were held without incident under stringent security measures, with close protection and escort officers assigned to each Kosovo Serb member. The Assembly building is currently guarded by teams of specially trained officers of the Kosovo Police Service, working alongside international colleagues.

9. Pending the establishment of the provisional institutions of self-government, mechanisms are in place to ensure that there is no legislative vacuum. In order to maintain regular contact with Kosovo's major political leaders and to consult them on legislation pertaining to his reserved powers of the Special Representative of the Secretary-General, the Interim Administrative Council has continued to function and will do so until the date of the transfer of authority and the establishment of appropriate consultative mechanisms between UNMIK and the provisional institutions of self-government.

B. Executive

10. Once the provisional institutions of self-government are in place, the transfer of authority will result in a change of structure and emphasis in UNMIK's work, as it hands over direct control of the transferred areas while retaining competencies reserved to the Special Representative. In order to prepare for the division of authority between transferred and reserved competencies, intensive efforts were made to restructure the Mission and transform the former Joint Interim Administrative Structures. UNMIK has already moved out of the Government Building to make room for the Assembly and other organs of the provisional institutions of self-government.

11. The 20 administrative departments that existed before have been consolidated into nine Transitional Departments, which will become Ministries as soon as the Government is established. Pillar II (civil administration) will look after seven: Agriculture, Forestry and Rural Development; Culture, Youth and Sports; Education, Science and Technology; Labour and Social Welfare; Health, Environment and Spatial Planning; Transport and Communications; and Public Services. Pillar IV (economic reconstruction and development), led by the European Union, will look after two: Trade and Industry, and Finance and Economy.

12. In each Ministry, a Principal International Officer will advise the Minister on policy development and governance, coordinate the international staff within the Ministry and serve as senior liaison to UNMIK. At present, the Principal International Officer is Officer-in-Charge, pending the appointment of Ministers. To ensure a smooth and efficient transition, UNMIK international staff will continue to perform line functions for a limited time after the Government has been established. In this capacity, they will be placed under the Minister. They will hand over their executive functions as soon as possible to local civil servants and gradually limit their involvement to providing advice and to matters of minority integration and protection and liaison with United Nations specialized agencies and other donors.

13. At the municipal level, the UNMIK administrators are progressively handing over to the local authorities, with a view to disengaging fully in the future. Responsibility for budgetary and financial administration is also being handed over to the municipalities. To facilitate this, a uniform financial management system for the municipalities has been agreed upon with the Central Fiscal Authority, and training of the municipal civil service has commenced. There has been some progress with the inclusion of non-Kosovo Albanian communities in the local government. Approximately 90 Kosovo Serbs now participate in the work of 13 municipal assemblies, and representatives of other non-majority communities participate in the assemblies of their respective municipalities. The municipal elections that must take place before the current two-year mandate expires in October will provide municipal leaders with a new political mandate for the exercise of their expanded responsibilities.

14. The functions of UNMIK's regional administrations have been redefined. They will cover security coordination; general oversight over UNMIK staff in the regions and municipalities; reporting and auditing; political assessments; and coordination of the return of displaced persons. During the transition period, the Regional Administrators will maintain political oversight regarding the implementation of UNMIK regulations 2001/9 on the Constitutional Framework, 2001/19 on the

Executive Branch of the provisional institutions of self-government, and 2000/45 on the self-government of municipalities.

C. Reserved powers

15. In accordance with the Constitutional Framework, the Special Representative of the Secretary-General will retain certain reserved powers. In order to discharge these, the following UNMIK Directorates have been established: Civil Protection, which has taken over the responsibilities of the United Nations Mine Action Coordination Centre, following the successful completion of its operations in mid-December 2001; Administrative Affairs; Infrastructure Affairs; and Rural Affairs. The Special Representative will also retain responsibility for the Kosovo Protection Corps, together with the international security presence (KFOR) (an agreement has been reached with the Corps leadership that the number of active members will be reduced from approximately 4,300 to 3,000 by the end of the year). Additional reserved powers are the administration and financing of civil security and emergency preparedness; mine clearance; the administration of public, state and socially owned property; the regulation of public and socially owned enterprises; the administration of railways, allocation of radio frequencies, and civil aviation; the civil registry database; the registration of habitual residents; the Housing and Property Directorate, including the Housing Claims Commission; control over cross-border/boundary transit of goods; general powers, such as international relations, in a number of areas; and the judiciary and the police (except for court administration, which will be transferred to the Ministry of Public Services); and several economic areas, such as the Central Fiscal Authority, which will work alongside the new Ministry of Finance and Economy, but will continue to be responsible for fiscal and financial issues not yet transferred to the new Government.

III. Ensuring minority participation

16. An important concern in preparing the Assembly election was to ensure the participation of the minority communities, especially of the Serbian community, which had boycotted the municipal election in 1999 and whose participation in the ballot remained open until the last minute. While the Kosovo Serbs generally recognized that participation in the new political institutions was the key to having a say in Kosovo's future, they felt that the conditions for effective participation did not exist and were not confident that they could be created. On 25 October, Mr. Haekkerup, the Special Representative, met with President Kostunica in Belgrade. It was agreed to draw up a joint paper that would address these issues. After several drafts and intensive negotiations, in which both the Secretary-General and President Kostunica intervened, agreement was reached on a Common Document, which was signed in Belgrade on 5 November by Mr. Haekkerup and Dr. Covic, Deputy Prime Minister of Serbia in his capacity as the Special Representative of President Kostunica to Kosovo. The document had two main purposes: first, to provide the Yugoslav authorities with an authoritative list of measures that UNMIK had already taken, or was taking, to assist the Kosovo Serb community, so as to make it easier to encourage Kosovo Serb participation in the election; and, secondly, to provide a solid basis for a cooperative relationship with the authorities of the Federal Republic of Yugoslavia. The Common Document reiterates the basic principles of Security

Council resolution 1244 (1999) and outlines in detail a number of areas of mutual interest and common concern: enhanced security and freedom of movement; swift progress on returns, missing persons and Kosovo Albanian detainees in Serbia proper; integration of Kosovo Serbs into the provisional institutions of self-government; establishment of a multi-ethnic and unbiased justice system; further development of the Kosovo Police Service; increased efforts on property rights issues; cross-border/boundary police cooperation. Following the signing of the Common Document, the Kosovo Serb Return Coalition decided to participate in the election and submitted its list of candidates.

17. A key provision of the Common Document is the establishment of a High-ranking Working Group as the official forum for dialogue and cooperation between UNMIK and the provisional institutions of self-government on the one hand, and the Yugoslav authorities on the other. Although the initial reactions of the Kosovo Albanian leaders were critical, it is hoped that the Working Group will in time contribute to a process of normalization and promote direct dialogue between the democratically elected leaders in Pristina and Belgrade.

IV. Returns

18. One of the most important concerns of the Kosovo Serb community and a key objective of UNMIK is the creation of conditions for the sustainable return of internally displaced persons and refugees. Following the signing of the Common Document, the Special Representative established within his own office the Office of Returns and Communities, to coordinate UNMIK's work on community issues, maintain close links with all key stakeholders, including the Governments of the Federal Republic of Yugoslavia and Serbia, and the donor community, and provide strategic advice to the Special Representative on ways to advance the return and reintegration of displaced persons. Work has begun on a framework for 2002/2003, which will combine economic incentives and other measures in order to offer longer-term prospects to returnees and internally displaced persons.

19. These efforts are being undertaken against the background of a slowdown of Kosovo Serb returns during the last year. According to figures provided by the Office of the United Nations High Commissioner for Refugees (UNHCR), a total of 2,432 Serbs, out of the 229,900 registered internally displaced persons, returned to Kosovo by 8 December 2001. Two thirds of these returns took place during 2000, while less than 1,000 returned in 2001, not all of whom remained permanently. Two projects of organized returns have resulted over the past four months in the return of about 150 Kosovo Serbs to their original communities in Kosovo. The majority of these returnees have gone back to the Osojane valley (Pec region), where the first phase of an integrated programme to ensure the sustainability of the returns was completed in December. This entailed the rebuilding of 55 houses, the construction of a clinic and a large school, capable of providing instruction to children from the entire valley, and the restoration of public utilities, such as electric power and a bus service. A second phase, comprising a further 50 houses, income generation projects, and possibly other community facilities, will depend on the availability of donor funding. KFOR has provided security around the valley, and no incidents have been reported. There have also been returns of Kosovo Serbs to the villages of Leshtar and Makresh (Gnjilane region), where they live in mixed communities with Kosovo Albanian neighbours.

20. The number of refugees from the neighbouring former Yugoslav Republic of Macedonia continued to decline and is now estimated at about 10,000.

V. Security

21. Security and freedom of movement for Kosovo's minority communities remain a serious concern. Although the level of serious crime involving members of minority communities decreased, the attack against two elderly Kosovo Serbs in Kosovo Polje at the end of November, resulting in the death of one, was a chilling reminder of the potential for violence against members of this community. KFOR reported an increase in cases of minor inter-ethnic intimidation and violence, with a number of juveniles involved in stone-throwing incidents against minority community targets, including individuals, convoys, vehicles, trains and houses. A slight increase in inter-ethnic violence in Gnjilane region was also reported, following the demobilization of the former so-called Liberation Army of Presevo, Bujanovac and Medvedja, operating in Southern Serbia, and of the so-called National Liberation Army, operating in the former Yugoslav Republic of Macedonia.

22. UNMIK and KFOR worked on several fronts to improve security. Efforts continued to remove unauthorized weapons, as part of a wider strategy to combat terrorism and organized crime. Joint search operations were stepped up, including operations along the borders and boundaries to limit the smuggling and storage of weapons and supplies in support of ethnic Albanian armed groups. On 1 December 2001, KFOR and UNMIK police launched the largest simultaneous weapons search operation so far, involving 3,000 soldiers from all five multinational brigades, which resulted in the arrest of 12 people and the seizure of an assorted range of weaponry. Although the immediate results have been modest, these operations are considered valuable in that they improve the operational cooperation between KFOR and UNMIK and reassure the law-abiding public, a crucial factor in building confidence in the rule of law. There are indications that victims of crimes may have become less susceptible to intimidation and more inclined to lodge complaints with UNMIK police. Notwithstanding the greater readiness to report crimes, the average level of serious crimes reported to UNMIK police dropped slightly in October and November.

23. The security situation in Mitrovica remained stable but tense. The number of violent incidents recorded by KFOR dropped over the last three months, despite continuing difficulties in establishing UNMIK's authority in the north. The improvement is partly attributable to a more active and robust approach by UNMIK police and KFOR towards the so-called "bridge-watchers". Through increased search and arrest operations, enhanced community policing, and targeted public information activities, the "bridge-watchers" appeared to be losing some of their support in northern Mitrovica. Problems persist, however, with Kosovo Serb hardliners, who remain capable of mobilizing their supporters quickly. A case in point is violence directed against UNMIK police and KFOR on 7 January 2002, the Orthodox Christmas Eve, when KFOR arrested one of the "bridgewatchers" for possession of a rifle. A crowd of Kosovo Serbs gathered and temporarily freed the individual, who was then rearrested by KFOR. In the period covered by the report, KFOR was the target of several grenade attacks and shots fired on its troops in northern Mitrovica.

24. The situation in the former Yugoslav Republic of Macedonia does not appear to have had significant adverse effects on the general security situation in Kosovo during the reporting period. Parliamentary ratification of the Framework Agreement and the presidential amnesty granted to the former fighters of the so-called National Liberation Army (NLA), in particular, has reduced the likelihood of ex-National Liberation Army fighters illegally crossing into Kosovo.

VI. Other activities of UNMIK

A. Justice

25. There was further progress in the consolidation of the law and order structures. The Bar exam resumed in December 2001; the Kosovo Judicial Institute, run by Pillar III, provided legal education for judges and prosecutors from all ethnic communities; a code of ethics for judges and prosecutors was introduced; and the Kosovo Judicial and Prosecutorial Council was established to advise the Special Representative in discharging his disciplinary responsibilities for judges and prosecutors. Building the capacity of the domestic judiciary continues to be a focus of Pillar III. An important development in this regard was the establishment of the Criminal Defence Resource Centre, which assists and trains defence counsel, including those from minority communities and Serbia proper. The Department of Justice recently created the Judicial Integration Section to coordinate a minority recruitment strategy in the judiciary. Progress has remained slow, however, largely due to political difficulties, as well as pensions and security issues. Only 4 of the 16 appointed Kosovo Serb judges and prosecutors were serving in the Kosovo courts; there are also 9 Bosniac, 2 Roma, and 8 Turkish judges and prosecutors.

26. A continued high priority of UNMIK has been the fight against terrorism and organized crime. The links between organized crime and terrorism, as well as Balkan regional networks with operations in Kosovo, have the capacity to destabilize political and economic institutions and affect inter-ethnic relations. To strengthen its capacity in this area, Pillar I (Police and Justice) is setting up five new specialized units: (i) The Central Intelligence Unit within UNMIK Police has 40 specialized officers exclusively dedicated to gathering and analysing intelligence on organized criminal activities and terrorism. (ii) The Kosovo Organized Crime Bureau within the UNMIK police is an expert investigative unit, which develops intelligence provided by the Central Intelligence Unit into evidence for prosecution. It also coordinates UNMIK police operations in connection with the supply of illegal drugs and narcotics to Kosovo, and the use of Kosovo as a transit point for international drug trafficking. The Bureau is now staffed with 11 experts. (iii) The Sensitive Information and Operations Unit within the Department of Justice provides elements for prosecution to KFOR and UNMIK police on organized crime, terrorism and cross-border illegal activities. The Unit is intended to support UNMIK police and KFOR operations, process sensitive information for use in courtrooms, and provide expertise on organized crime and terrorism for international prosecutors and judges. (iv) The Legal Policy Unit within the Department of Justice will be the focal point for policy-making and liaison with Kosovo-based agencies. It will be staffed with four lawyers with extensive expertise in civil and criminal law. (v) The Victim Advocacy and Assistance Unit, within the Department of Justice, will provide assistance to witnesses and victims throughout the judicial process. In

addition, a new Economic Crime Unit has been established within Pillar IV, which has pioneered new measures against money-laundering. International judges and prosecutors will continue to handle serious cases of organized crime, since the risk of intimidation and corruption of local judges involved in cases against major criminals remains high.

27. On 19 December, three Kosovo Albanians suspected of involvement in the bombing of the Nis Express bus in February 2001 were released from custody on orders of the Supreme Court. It had not been possible to transform the intelligence — on the strength of which the three suspects had been detained — into evidence that would secure their conviction in a court of law.

28. Partly as a result of improved law enforcement, there is still an acute need to augment the prison capacity in Kosovo. At the current rate of increase, the prison population — already 780 inmates in December 2001 — will reach the total existing capacity of 1,000 beds by March 2002. The number of correctional staff must also increase. Police officers still carry out correctional duties for which they are not trained and which do not fall in their area of responsibility.

B. Police

29. UNMIK continued to build up the Kosovo Police Service. On 15 December, the seventeenth class graduated from the Kosovo Police Service School, which is run by Pillar III. This brings the total number of trained KPS officers to 4,392, of whom 375 (8.5 per cent) are Kosovo Serbs and 324 (7.3 per cent) from other minority communities. This year, approximately 1,100 candidates will receive basic training. The targeted overall strength of the Kosovo Police Service is 10,000. A recently introduced rank system means that first-line Kosovo Police Service supervisors are currently engaged in providing direct supervision of their colleagues, while the senior management ranks fulfil advisory functions alongside senior UNMIK police officers. More than 200 Kosovo Police Service officers have been selected and deployed to the UNMIK police central, regional, and border police headquarters. Kosovo Police Service officers have worked in tandem with international officers in high profile operations, such as providing security for the Assembly elections. In addition, Kosovo Police Service officers have conducted independent operations, ranging from regular patrols to murder investigations.

30. The Kosovo Police Service has been entrusted with the security of Assembly members within the Government Building. The newly formed Service Division of the Kosovo Police Service comprises 96 police officers trained to provide close protection to Assembly members. Special emphasis was placed on the security needs of the 22 Kosovo Serb Assembly members, who are protected by UNMIK police on their way to and from the Assembly. The Service Division of the Kosovo Police Service will be expanded in 2002 in order to provide security services to all the provisional institutions of self-government ministries. The first Kosovo Police Service close protection teams will be operational in February 2002, with a target of 180 operational close protection officers set for mid-2002. KFOR continued to assist UNMIK by providing area security and related support. There is, however, an urgent need to strengthen the UNMIK Close Protection Unit with international personnel to guarantee a minimum level of freedom of movement to Kosovo Serb Assembly members.

31. Within the limits of its capacity, the UNMIK police has also taken over some functions from KFOR. Thus, it has assumed responsibility for daily operations in four of the five regions; and in the remaining region (Mitrovica), UNMIK police already has full investigative primacy. In addition, it has assumed operational responsibility at six border and boundary crossing points; and at Slatina Airport, UNMIK's border police is expanding its area of responsibility.

32. Following the signing of the Common Document, important progress was made on the issues of missing persons and the detained. The UNMIK police Missing Persons Unit, which is in the process of establishing a sub-office in Belgrade, was informed in mid-December that it would be granted full access to post-mortem data collected by the Serbian police and forensic pathologists from various exhumation sites recently uncovered in Serbia. This will clear the way for the identification of hundreds of Kosovo Albanians exhumed from these sites over the past few months. The UNMIK/Federal Republic of Yugoslavia Contact Group on Missing Persons made headway in drafting a Protocol on Joint Verification Teams on Hidden Prisons, which will enable UNMIK police and authorities of the Federal Republic of Yugoslavia to investigate alleged sites. After a review of their cases according to international standards, the remaining Kosovo Albanian detainees in Serbian jails are to be transferred to Kosovo as soon as possible. Representatives of the Department of Justice have visited detention facilities in Serbia where Kosovo Albanians are held, and have consulted with representatives of the Serbian judiciary regarding the handover to UNMIK of relevant case-file information. The re-entry of the Federal Republic of Yugoslavia into Interpol has opened up new avenues for police cooperation, which UNMIK police has pursued through meetings in both Podgorica and Belgrade.

C. Capacity-building

33. The main focus of Pillar II (civil administration) during the period was the transfer of authority to the provisional institutions of self-government and to the municipalities, as outlined in paragraphs 9 to 13 above. In addition to the consolidation and reorganization of departments, it stepped up the recruitment of local staff, especially members of minorities, and prepared guidelines and administrative instructions for different administrative units. Similarly, Pillar III (institution-building) continued its capacity-building efforts, involving primarily the judicial sector and the police. As a result of its training, local staff now manage the Kosovo Law Centre and the Kosovo Judicial Institute. This year, Pillar III will undergo a significant reduction, as it shifts emphasis to programmatic as opposed to direct logistic support. The number of its field offices will be reduced from 21 to 9.

34. Key to the success of the provisional institutions of self-government is the development of a professional, and multi-ethnic Kosovo civil service. The basis for this is UNMIK regulation 2001/36, promulgated on 22 December 2001, which lays down transparent and non-discriminatory recruiting procedures and establishes mechanisms to ensure equitable minority representation. Major efforts of targeted minority recruitment took place in a number of the Transitional Departments. The Office of Community Affairs worked with the Transitional Department of Labour and Social Welfare to build up a database of potential minority recruits for the Kosovo Civil Service. Pillar III is currently working with local partners to establish the Kosovo Institute for Public Administration, which is to be funded by the Kosovo

consolidated budget and placed within the Ministry of Public Services. The Institute will be responsible for the development and implementation of a comprehensive training policy and programme for the civil service of Kosovo. Until the Kosovo Institute for Public Administration is fully established, Pillar III will continue to train civil servants through the Institute for Civil Administration. To date, approximately 3,600 municipal civil servants have undergone training, of whom 18 per cent are Kosovo Serbs.

D. Reconstruction and development

35. As an essential part of the preparations for the transfer of authority, UNMIK, through its Pillar IV, put together a fully funded budget for the incoming administration (see annex III below). The 2002 budget was drawn up with the aim of ensuring that all recurrent expenditures can be met by tax revenue generated domestically. There is still a large reliance on donor funding, however, as Kosovo is unable to borrow from international financial institutions for capital projects. An increased capacity for municipal governments to levy fees and taxes was factored into the overall budget plan. Complementary training programmes for elected politicians and opinion makers were designed to ensure that fiscal discipline is maintained when budgetary power is transferred in 2003. Eighty-five per cent of the domestically generated tax revenue still originates from taxation of goods coming into Kosovo. Partly in an effort to reduce dependence on this single means of revenue collection, new wage and profit taxes were readied for introduction early in 2002.

36. At the beginning of 2002, the euro became Kosovo's main currency. Approximately one billion deutsche marks in notes and coins are being taken out of circulation and replaced with the new currency in the first two months of the year. Preparing for this transition involved complex planning, especially in logistics and security. An extensive media campaign was launched to inform citizens and enterprises about the changeover to the euro.

37. The Banking and Payments Authority has now licensed seven commercial banks to operate in Kosovo. These are currently operating 22 branch offices throughout the territory. Licenses have also been granted to 15 microfinance and non-bank financial institutions, established to provide credit to individuals and small and medium-size enterprises. So far, some 200 million euros worth of deposits have been made in the banking system, and 40 million euros extended as loans. In addition, the Authority has so far licensed one foreign exchange bureau and five Western Union operations. It has also taken over from UNMIK responsibility for the regulation of the insurance industry. Existing insurance companies have been obliged to apply for a new license — five such applications have been received so far, and are being considered. New employees are currently being trained on insurance supervision activities.

38. The Department of Trade and Industry worked on legislation necessary for a market economy. Regulations on accounting standards, a pledge filing office, mortgages, competition law, and related administrative directions, were drawn up in the second half of 2001 and were, or are in the process of being, promulgated. Pending the establishment of an effective legal basis for large-scale privatization, the primary means for promoting economic development among Kosovo's socially

owned enterprises has been the leasing of productive assets to new management, with contracts awarded through a competitive tender process. Twelve such contracts have been concluded so far and a further eight are currently being drafted for a total volume of some 50 million euros and employment for more than 2,600 persons, more than doubling the workforce in the firms concerned. Some 35,000 private enterprises have now signed the UNMIK business registry.

39. Serious difficulties continued with the supply of electricity. Owing to ageing equipment and the lack of investments in recent years, electricity had to be strictly rationed. Even so, there were frequent power cuts. With generous support from the European Agency for Reconstruction, efforts are ongoing to solve this problem by training staff, restructuring the management of Kosovo Electric, and carrying out a comprehensive overhaul of the power-generating units. A particular effort was made to improve payment rates for electricity consumption in order to increase the capacity to import power. Problems with energy supply in Kosovo are deep-rooted and complex. A comprehensive analysis, funded by the World Bank and conducted during 2001, is expected to be completed early this year. With considerable donor investment in the infrastructure of the water sector and improved management of public utility service providers, water shortages were reduced in the second half of 2001.

40. Kosovo remains one of the poorest regions in Europe and has suffered from decades of underinvestment. The Department of Reconstruction has carried out a comprehensive analysis of investment needs, presenting a 1.4 billion euro capital expenditure plan for the next three years in the public investment programme for 2002-2004, a large section of which will need to be financed by the donor community.

VII. Observations

41. The Assembly election on 17 November 2001 constituted an important step forward in the implementation of Security Council resolution 1244 (1999). The electorate gave no single party a majority, compelling the political forces to work together to overcome the legacy of the past and contribute to the building of a common future. The time it is taking to elect a President and form a Government is an indication of the difficulties that will have to be overcome. The provisional institutions of self-government will have full responsibility over the areas under their authority, and my Special Representative will intervene only to uphold the provisions of resolution 1244 (1999) and the Constitutional Framework. I hope that those elected will use their mandates wisely and will reach out to one another, in the spirit of mutual respect and tolerance and constructive compromise.

42. Another positive development was the signing of the Common Document, which places UNMIK's relations with the Federal Republic of Yugoslavia on a solid footing. UNMIK will continue to work closely with the Yugoslav authorities to make progress on the issues identified in the Common Document. I look forward to the full participation of the representatives of the provisional institutions of self-government in this cooperation. Whatever the final determination of Kosovo's status may be, the relationship between Pristina and Belgrade will be crucial for the future well-being of the region.

43. Security remains of paramount concern. UNMIK and KFOR will do what they can to eliminate weapons and prevent violence. However, this alone cannot solve the problem; attitudes must change. Here, again, the newly elected Assembly members have a particular responsibility. They must clearly and openly reject violence and terrorism. All Assembly members are called upon to lead by example in creating conditions conducive to improving inter-communal relations and promoting reconciliation. Reconciliation must begin in the Assembly, as members of all communities work side by side to improve the situation of all the people of Kosovo. Non-governmental organizations, too, have a key role to play in the process of reconciliation.

44. UNMIK is reaching a critical stage in the implementation of its mandate and has made substantial changes in both structure and focus to encourage and support provisional self-government while upholding the provisions of resolution 1244 (1999). The next phase will require careful management and the continued, strong commitment of the international community.

45. In conclusion, I should like to express my gratitude to Mr. Hans Haekkerup for his steady leadership during a period that has seen significant progress, and to the men and women of UNMIK for their wonderful work in difficult circumstances. Mr. Haekkerup has decided for personal reasons not to continue in his post, and I shall be writing to the Security Council about his successor. I should also like to express my appreciation for the comprehensive support UNMIK received from regional organizations, agencies and contributing countries.

Annex I

Composition and strength of the UNMIK police (as of December 2001)

Country	*Number*	*Country*	*Number*
Argentina	147	Austria	70
Bangladesh	108	Benin	1
Bulgaria	93	Canada	56
Cameroon	21	Czech Republic	20
Denmark	30	Egypt	68
Fiji	34	Finland	25
France	81	Germany	332
Ghana	119	Greece	10
Hungary	5	Iceland	3
India	485	Italy	65
Côte d'Ivoire	1	Jordan	451
Kenya	26	Kyrgyzstan	2
Lithuania	9	Malaysia	48
Malawi	19	Nepal	49
Niger	3	Nigeria	81
Norway	27	Pakistan	222
Philippines	63	Poland	119
Portugal	20	Romania	68
Russian Federation	120	Senegal	15
Slovenia	15	Spain	127
Switzerland	6	Sweden	46
Tunisia	5	Turkey	125
Ukraine	176	United States	582
Zambia	38	Zimbabwe	61
Total			**4 465**

Annex II

Composition and strength of the military liaison component of UNMIK (as of December 2001)

Nationality	*Number of Liaison Officers*
Argentina	1
Austria	2
Bangladesh	1
Belgium	1
Bolivia	1
Bulgaria	1
Canada	1
Chile	1
Czech Republic	1
Denmark	1
Finland	2
Hungary	1
Ireland	3
Italy	1
Jordan	1
Kenya	1
Malawi	1
Malaysia	1
Nepal	1
New Zealand	1
Norway	1
Pakistan	1
Poland	1
Romania	1
Russian Federation	2
Spain	2
Switzerland	1
Ukraine	1
United Kingdom of Great Britain and Northern Ireland	1
United States of America	2
Zambia	1
Total	**38**

Annex III

A. Kosovo general budget as at 30 September 2001

(In millions of deutsche marks)*

	Budget (December 2000)	*September 2001*	*Year to end-September*		*Balance (3 months)*
			Plan	*Actual*	
Revenue					
Kosovo revenue	338.1	130.9	240.4	376.2	(38.1)
General donor grants	150.0	10.6	124.9	124.9	25.1
Designated donor grants	11.9	1.2	3.9	3.9	8.0
Total financing	**500.0**	**142.7**	**369.2**	**505.0**	**(5.0)**
Expenditure					
Salaries and wages	181.8	14.6	143.9	144.7	37.1
Goods and services	134.7	12.6	89.9	76.2	58.5
Subsidies and transfers	161.5	4.7	113.2	90.2	71.3
Capital outlays	22.1	0.7	18.2	9.0	13.1
Total expenditure	**500.0**	**32.6**	**365.2**	**320.1**	**179.9**

* Table may not add, due to rounding.

B. General budget — domestic revenue detail as at 30 September 2001

Domestic revenue	*Actual at 30 September 2001 (DM)*
Taxes:	**355 249 483**
Customs	62 470 074
Excise	97 242 892
Sales tax on imports	76 868 678
Hotel, food and beverage	1 679 431
Payroll	-
Presumptive	36 979 438
VAT	79 937 811
Property	-
Offences	71 159
Fees:	**20 933 698**
Airport departures	-
Health	-
Education	-
Courts	1 743 853
Central Fiscal Authority (CFA) — interest	2 775 769
Vehicle registration	10 947 761
Travel documents	5 466 315
Driver licence	-
Subtotal domestic revenue	**376 183 181**

Annex IV

Assembly election

Party standings	*Votes*	*Percent of votes*	*Seats*
Democratic League of Kosovo (LDK)	359 851	45.65	47
Democratic Party of Kosovo (PDK)	202 622	25.70	26
Coalition Return (KP)	89 388	11.34	22
Alliance for the Future of Kosovo (AAK)	61 688	7.83	8
Homeland (VATAN)	9 030	1.15	4
Kosovo Turkish Democratic Party (KDTP)	7 879	1.00	3
New Initiative for a Democratic Kosovo (IRDK)	3 976	0.50	2
Ashkali Albanian Democratic Party (PDASHK)	3 411	0.43	2
National Movement for Liberation of Kosovo (LKCK)	8 725	1.11	1
Albanian Christian Democratic Party of Kosovo (PSHDK)	7 701	0.98	1
Justice Party (PD)	4 504	0.57	1
People's Movement of Kosovo (LPK)	4 404	0.56	1
Bosniac Party of Democratic Action of Kosovo (BSDAK)	2 906	0.37	1
United Roma Party of Kosovo (PREBK)	2 717	0.34	1
Liberal Party of Kosovo (PLK)	3 600	0.46	
National Front (BK)	2 881	0.37	
Liberal Centre Party of Kosovo (PQLK)	2 403	0.30	
Green Party of Kosovo (PGJK)	2 325	0.29	
Social Democratic Party of Kosovo (PSDK)	1 785	0.23	
XHEVDET REXHAJ (Independent Candidate)	1 330	0.17	
LATIF KRYEZIU (Independent Candidate)	1 199	0.15	
XUN ÇETTA (Independent Candidate)	1 210	0.15	
Republican Party of Kosovo (PRK)	643	0.08	
Albanian National Democratic Party (PNDSH)	1 066	0.14	
Citizens' Initiative of Kosovo (IQK)	631	0.08	
Albanian Liberal Party (PLSH)	428	0.05	

Basic statistics	
Total electorate	1 249 987
Total ballots cast	803 796
Voter turnout in percentage	64.30 per cent
Total valid ballots	788 303